

VZCZCXYZ0008
OO RUEHWEB

DE RUEHC #7354 1052235
ZNY CCCCC ZZH
O 152133Z APR 09
FM SECSTATE WASHDC
TO RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 0000
INFO RUEHGB/AMEMBASSY BAGHDAD IMMEDIATE 0000

C O N F I D E N T I A L STATE 037354

SIPDIS
USUN FOR GERMAIN AND KUJAWINSKI

E.O. 12958: DECL: 04/10/2019
TAGS: [PREL](#) [UNSC](#) [IZ](#)
SUBJECT: GUIDANCE: DFI-IAMB CONSULTATIONS, APRIL 16

Classified By: IO A/S Esther Brimmer. Reasons 1.4 (b) and (d).

¶1. (U) USUN should draw from the following building blocks during April 16 UNSC consultations on the Development Fund for Iraq (DFI) and the International Advisory Management Board (IAMB).

¶2. (SBU) Begin building blocks:

-- UN Security Council Resolution 1859 (2008) carried forward for one year the obligation (originally contained in resolution 1483 (2003)) on states to extend immunities to petroleum, petroleum products, and natural gas originating in Iraq as well as to the DFI. In anticipation of the expiration of this obligation at the end of 2009, the United States is working with the Government of Iraq to alleviate the need to continue these immunities.

-- We note today that the bulk of sovereign debts and commercial claims have been formally reduced and resolved and that the United States is exploring with the Government of Iraq the possibility of a state-to-state solution that would compensate U.S. victims of Saddam-era terrorism and bring about "legal peace" for Iraq on these claims.

-- Resolution 1859 also extended the mandate of the IAMB, whose audits of DFI accounts over the last four years have consistently noted a serious lack of internal controls in accounting for and managing the DFI, as well as the lack of an adequate system for metering Iraqi oil production.

-- During the last meeting of the IAMB in Amman on April 2nd and 3rd, the audit findings for 2008 were reviewed. This report again highlighted the fact that poor internal controls remain a significant concern and that the metering of Iraqi oil production remains inadequate, frustrating all serious efforts to accurately determine how much of Iraq's oil revenue is being lost through theft, smuggling, or leakage.

-- In this and in other areas, it is time for the Government of Iraq to undertake responsibilities on behalf of the Iraqi people. The United States calls on the Government of Iraq to implement the recommendations of the IAMB, so as to better secure its own future. In particular, we note the need to implement comprehensive, system-wide metering.

-- A successor organization to the IAMB - the Committee of Financial Experts (COFE) - was established in 2007 to assume the roles and responsibilities of the IAMB upon completion of the IAMB mandate. While COFE has the potential to take on these responsibilities, the United States is concerned whether COFE will be as capable and independent as it needs to be. Although COFE's initial mandate provides for its independence, its current composition includes officials with government ministry ties and its top official is the President of the Board of Supreme Audit.

-- An excellent program that would do much to dispel any misperception is the Extractive Industries Transparency

Initiative (EITI), which Iraq intends to implement under ICI auspices. Iraq's successful implementation of this accountability and transparency program for the petroleum sector - including by its state-owned oil companies - would provide an important adjunct to COFE.

-- We should take every opportunity to inquire about Iraq's progress with EITI, urge others to undertake action - whether bilaterally or through the International Compact with Iraq - to help Iraq become an EITI candidate country, and strongly encourage and help Iraq to implement the program as quickly as possible.

End building blocks.

13. (C) While we have been informed by the UN Secretariat that it will not raise issues critical of the United States during this briefing, it appears that certain U.S. actions have delayed the completion of the 2008 IAMB audit. In particular, the auditing firm contracted by the IAMB to perform the work, KPMG, has not been granted access to the International Zone or the U.S. Embassy compound to audit the files of DFI-funded contracts that are being administered by the USG. In a separate, but related issue, the Department of Defense has yet to provide the Iraqi Board of Supreme Audit with access to contract files funded by the DFI and administered by DOD during the CPA era. If the issue of KPMG access is raised, USUN may draw from the following:

-- (U) U.S. officials are aware of this issue and hope to resolve it shortly.

CLINTON